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SUBJECT: ROSY REPORTS OF NEW INVESTMENT IN EGYPTIAN TEXTILE
INDUSTRY

REF: A. 2006 AMMAN 6886
[1](#)B. 2006 CAIRO 7219

Sensitive but unclassified, not for Internet distribution.

[1](#)1. (SBU) SUMMARY: A recent press report of new Jordanian investment in the Egyptian textile industry is indicative of a trend of increasing FDI in Egypt and expansion of the textile industry in particular, as foreign investors eye the rapidly expanding Qualified Industrial Zone (QIZ) program for duty-free exports to the United States. However, GOE and private-sector contacts caution that the press accounts of new investment plans are often overblown and may come to little in the end. END SUMMARY.

[1](#)2. (U) The Ministry of Trade and Industry's Industrial Development Authority has approved plans for the Jordanian firm Tagamoaat to establish an industrial zone in 10th of Ramadan, Egyptian press reported May 6.

[1](#)3. (SBU) Mohamed Kassem of the Egyptian Chamber of Textile Industries told econoff that Tagamoaat participates in the QIZ in Jordan, exporting ready-made garments that include at least 8 percent Israeli content to the United States duty-free. He said the firm is interested in moving operations to Egypt to avoid the labor problems plaguing Jordanian QIZ factories (ref A).

[1](#)4. (U) The report was consistent with a number of recent press and anecdotal accounts of plans for new FDI in Egypt including investment by Chinese and Russian investors. For example, the GOE also announced recent approval of a Chinese plan to manufacture electrical wires in 10th of Ramadan industrial zone, while a news report on April 10 noted the signing of a memorandum of understanding to establish a new USD 550 million Russian industrial zone on the Mediterranean coast to manufacture cars, aircraft, and other products. As in similar accounts, the story refers to a new GOE "eastward-looking strategy, shifting the focus of its trade development from its traditional Western partners." In addition, a number of Turkish investors have announced plans to invest in Egyptian QIZ factories.

[1](#)5. (SBU) Ali Awni, head of the Egyptian QIZ unit, said no new factories have sought the required USTR designation to export under the QIZ program because plans are still preliminary and often come to nothing.

[1](#)6. (U) Even so, exports under the QIZ program have risen steadily during its first two years (ref B), and FDI in Egypt has increased sharply as well, from USD 3.9 billion in FY05

to USD 6.1 billion in FY06 to USD 7.2 billion in only the first six months of FY07. (This year's dramatic increase was driven by a USD 3.1-billion UAE investment in a national cell phone license.)

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